Partnerships in Transit—Summary Notes
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Welcoming Comments (James Simpson)

PPPs are just old wine in a new bottle—they have been used throughout the country for a number of projects, stemming from the late eighteenth century. There will always be a need for the federal government's involvement in transit, but it is important and necessary to turn to the private sector to help close the gap in the much needed transit expansion, operation and maintenance. Although ridership numbers around the country are on the rise, some people do not understand the value of transit, especially in areas where only a few people are on a train or bus at a time. Transit is necessary because it provides freedom and dignity and moves people—a crucial component to the country's economic well-being and place in the world economy. We have reached our opportunity with the next administration to get it right with transit. Politics must be taken out of transportation and look for the most efficient solutions and complete the projects which are needed. There is a lot of skepticism about PPPs, but successes will go a long way to quieting people's fears.

Fundamentals and Issues

When PPPs are discussed, people are talking about partnerships that combine the resources and skills of both sectors, not privatization. PPPs are not a novel concept; the private sector has been involved in developing transportation systems for over two centuries. What has changed recently is the realization that the private sector can be a useful addition tool in meeting the public's needs. Aging infrastructure, shrinking government budgets and increasing constituent demands all interact and show the need for private sector involvement in meeting today's infrastructure needs. Creating a strong partnership where both sectors share in the risks and rewards is a valuable option. If contemplating a PPP, remember the six keys to success: (1) statutory and political environment, (2) public sector's organized structure, (3) detailed business plan, i.e. a contract, (4) guaranteed revenue stream, (5) stakeholder support, and (6) pick your partner carefully.

Local and National Statutory Perspective

In the United States there are over 90,000 different political units which are capable of entering into a PPP agreement and can make it very difficult for private companies to navigate. Twenty-three states have some type of PPP legislation in place; this can mean general legislation, project specific legislation or sector specific legislation. It is important to know what legislation is in place prior to creating a PPP so that if legislation is necessary, it can be passed early on in the PPP process. Both public agencies and private companies should keep in mind Dillon's Rule, Home Rule, the Brooks Act and the Miller Act when thinking about PPPs.

Case Studies

Case studies of PPPs in New Jersey and Colorado were presented and stressed the fact that although no project is without challenges, a strong partnership can overcome the challenges and succeed. Both case studies demonstrated the necessity of gaining support from stakeholders from the beginning and communicating information throughout the entire process. Through carefully structured contracts that are performance and outcome based, the transit agencies received new transit lines, earlier than required and under budget. Communication between the partners must be a priority so that the partnership can resolve issues in house and reach its goals. The panelists commented about the unique position mass transit agencies are in: they see record-breaking levels of ridership and demand at the same time their operating costs keep increasing, mainly due to higher fuel prices, but simultaneously the public sources of funding are being squeezed. Transit agencies should explore the option of PPPs for either the expansion of their service area or to operate and maintain existing lines, keeping in mind that they should not be used in every case.

Luncheon Keynote Speaker (Rina Cutler, introduced by Robert Tuccillo)

There has never been a better time in the United States for public transportation than now because the intersection of high gas prices, large carbon footprints, and difficulty finding parking spaces have created a tailwind for transit expansion. Ridership numbers are up from last year and many new people are choosing transit, not just those dependent on it; a goal for transit agencies is to attract even more people and find ways to retain the ones choosing transit. The dilemma of new riders is that they bring needed revenue but they strain the systems, many of which are functioning at capacity, so expansion is necessary. However, major problem with the expansion of transit is the belief in the United States that we should not have to pay for anything, yet we expect many things that in reality are not free. Attempting to expand infrastructure and transit through PPPs is one way to provide this need without using taxpayers' money; however, many in the public sector are nervous about trying something new. PPPs are probably the wave of the future, but until that point, their use is dependent on the specific projects.

Generating Private Sector Financing

The federal government does not have enough capital to expand infrastructure, let alone maintain the current system. In transit alone, at least seven times the current investment is necessary, in part due to higher capital costs. Despite the unstable markets, there is a large amount of equity available for PPPs and other types of projects; the problem arises when a large amount of debt is required as well. A strong financial plan and a clear picture of what the costs are necessary to expedite the procurement and negotiations processes. Many types of funding are available, including private activity bonds, TIFIA money, and other bonds. Under normal market conditions, all these types of funding help to drive down the costs of financing projects. PPPs are a great tool because they look at the life cycle costs of a project and the assets are returned to the public agency is "like new" condition. One of the goals in structuring the financing for a PPP is to capture the added value from the agreement. Assess the potential value added for each project prior to deciding on a delivery management tool, one of which is a PPP.

Transit Oriented Development and Joint Development

Since the middle of the twentieth century, the American dream encompassed owning a single family home and a car or two in the suburbs; however, this seems to be changing. Recent trends suggest there is a competing American dream: living in denser, walkable communities near transit, where most amenities are readily available and transit provides access to anything found to be lacking. Transit Oriented Development (TOD) is an excellent way to create these communities and simultaneously provide an additional financial resource for development of the system. TOD is multifaceted and made of many development projects in an area, focusing on how a neighborhood comes together. The value added (in higher property values) around transit stations in areas with high development have increased dramatically and should play a crucial role in funding the expansion and operation of transit systems. There are many examples of successful TOD projects (Ballston area in Arlington County, VA and the area around the New York Ave metro stop in Washington, DC, to name a few); however, there are also many less than successful projects (southern line in San Diego, CA). It takes more than just development to create a desirable community where the value added can be captured; the economic conditions of the area surrounding the transit stations factor into whether or not TOD should be used.

Roundtable

The process of developing a PPP can take a very long time, typically between two and five years, and can be difficult to navigate, especially for first timers. If a public agency is interested in doing a PPP, it should figure out what is needed for the transit system, with less emphasis how it should look or what materials should be used; this allows the private sector to be more innovative and cost effective with their ideas. Involving the private sector early in a RFP review process helps the agency gain a better sense of what the possibilities are and serves to remind them of things that need to be added to the RFP. The public agency should complete an assessment of what financials are necessary, keeping in mind that the sources can be decided later. Transit agencies need to communicate with their regional FTA office early on, especially if they are interested in using federal funding for the project. By getting things right the first time, the agency will be able to shorten the length of the process. Performance measures should be established in the contract and will help the public agency manage the PPP in an efficient way. Both sector partners need to work together throughout the entire length of the contract and communicate frequently and honestly.